Designated Market Areas: How They Relate to Viewers and a Vital Local Television Marketplace

Designated Market Areas (DMAs) play an important role in the local TV marketplace. This paper defines what a DMA is and describes how the DMA facilitates the buying and selling of television advertising time, enabling local stations to serve their communities with local news, weather and sports, coverage of community affairs and events, public service announcements, and other important local information, including vital emergency and disaster relief information.

Revenue from the sale of advertising time supports these important and costly local broadcast services. Nielsen’s DMAs were defined to support and make efficient the buying and selling of ad time on local TV stations.

A DMA is a group of counties served by the local TV stations licensed to communities within those counties. There are 210 DMAs in the U.S. Every county in the U.S. is assigned to one and only one DMA. DMAs are ranked by number of TV households (the New York DMA is the largest in the country, with approximately 7.5 million TV households). Nielsen uses samples of households (and persons therein) to produce DMA audience estimates (e.g., ratings) for local TV stations. Stations use these DMA ratings to sell local, regional and national advertising.

The basic building block of a DMA is the Office of Management and Budget’s Metropolitan (or Micropolitan) Statistical Area (MSA). In the absence of an MSA, a group of counties including the home county of the originating station serves as the central area of the DMA.¹ An MSA is a core area containing a substantial population nucleus, together with adjacent communities having a high degree of economic and

¹ Metropolitan and Micropolitan Areas include about 94 percent of the U.S. population and not all counties in the U.S. (http://www.whitehouse.gov/omb/assets/omb/bulletins/fy2009/09-01.pdf).
social integration with that core.\textsuperscript{2} **MSAs are not bound by state lines.** Therefore, DMAs are not bound by state lines. For example, the Chicago DMA contains counties in Illinois and Indiana. The Washington, D.C. DMA contains counties in the District of Columbia, Maryland, Pennsylvania, Virginia and West Virginia. The Memphis DMA contains counties in Arkansas, Mississippi, Missouri and Tennessee. Stations are motivated to serve consumers in all counties of their DMA in order to achieve the highest possible ratings and advertising revenue.

In addition to counties within the MSA, a DMA may include adjacent (non-MSA) counties. The determination of adjacent counties to include in the DMA is based on the TV viewing preferences of the consumers residing in those counties. These consumer preferences are examined by Nielsen annually in a formal, statistically accepted manner. County reassignments change the size of DMAs and also can change the rank of DMAs, both of which can impact stations’ advertising revenues. Over the last 10 years, the average number of counties reassigned to a neighboring DMA was 19 per year (out of 3,098 counties) and the average number of DMAs affected by county reassignments was 30 per year (out of 210 DMAs)\textsuperscript{3}.

Congress and the Federal Communications Commission (FCC) have long recognized the importance of maintaining America’s unique system of free, over-the-air TV stations licensed to serve local communities. Local stations supported by ad revenue provide important locally-oriented information and services to all. Congress has acted consistently to preserve this free, locally-oriented TV system by, *inter alia*, adopting rules for the carriage of local TV stations on cable systems so that all viewers – including those choosing to receive television through a subscription service – can continue to receive critical local news and other local services (not just national cable channels).

\textsuperscript{2} [www.census.gov/population/www/metroareas/aboutmetro.html](http://www.census.gov/population/www/metroareas/aboutmetro.html)  
\textsuperscript{3} Analysis of Nielsen DMA Status and County Assignment Changes 2000-2001 to 2009-2010 TV Seasons
The importation of TV signals from distant DMAs would undermine this system of local TV service, and thus could have a number of negative consequences for viewers, local TV stations, and for advertisers (or any entity) trying to reach consumers with an advertising (or informational) message. If the importation of a distant TV signal changes viewing patterns as some viewers watch the distant station, then a county or counties where those viewers reside may be reassigned, reducing the size of the DMA and perhaps also its rank. A drop in rank may preclude a DMA from being included in national spot buys (e.g., Top 10, Top 25, Top 50 markets), negatively impacting ad revenues for stations in the market. The reassignment to a different DMA of a county in which one particular station had strong ratings, relative to its local station competitors, will negatively impact that station’s ad revenues, thereby affecting the station’s ability to provide vital community services, including emergency information. DMAs could be disrupted so that they include more non-contiguous counties, resulting in geographically inefficient buys for advertisers (or other entities) trying to reach consumers and a shift in ad spending from TV to other media. This would ultimately undermine local stations’ ability to deliver quality, locally-oriented programming, and could result in a lack of choice for viewers if some stations are no longer financially viable.

Furthermore, the importation of distant TV signals would interfere with program exclusivity arrangements freely negotiated between broadcasters and program suppliers (e.g., networks and syndicators), and would run counter to Congress’ and the FCC’s localism goals. Television viewers could end up being served by distant (perhaps in-state, but non-local) stations, and consumers could lose access to local news, emergency information, weather alerts and other local interest programming on TV.

Providing consumers with quality local programming supported by the buying and selling of local TV advertising time requires an efficient marketplace. Local advertisers are interested in having their advertising messages reach consumers who can purchase their products and services locally. National advertisers buy commercial time on local DMA stations to augment network television buys and to reach specific targets with an advertising message. For example, national home improvement chains buy time on local DMA stations to advertise seasonal products (lawn mowers, snow blowers) in
specific areas of the country. Movie studios buy time on network television for general release movies and on local DMA stations for limited release movies. Car manufacturers buy time on network television to build brand/model awareness, and local dealer associations buy time on local DMA stations to generate showroom traffic. Clearly defined, stable DMAs are essential to an efficient marketplace—advertisers need to know who they are reaching. Clearly defined, stable DMAs are just as important to the emergency services notification process—emergency services personnel need to know who they are reaching.

Advertising revenue is vital to the operation of a local television station. In its absence, a station cannot function. Beyond paying for programming, ad revenue allows stations to reinvest in the community, developing and executing locally driven initiatives, be it public interest programming, more local event coverage or raising money for local charities. Ad revenue also pays the salaries of tens of thousands of Americans who are employed by local TV stations nationwide (many of whom are directly involved in the gathering and reporting of local news and information, sports, and weather and emergency programming) and tens of thousands more who provide goods and services to local TV stations. As with almost every business, human resources are TV stations' largest expense. Ad revenue also helped fund the conversion of analog transmission facilities to digital and pays to power transmitters to keep Americans informed and safe in emergency situations.

The local broadcast TV industry has suffered greatly in the current economic downturn. Ad revenue for local and national spot TV in 2008 was down 2.4% from 2007. Ad revenue for local and national spot TV in the first half of 2009 was down 27% from the first half of 2008⁴. Several large broadcast station groups are in, or on, the verge of bankruptcy. Upending the definition of local TV markets (DMAs) would further destabilize the industry and, more importantly, would have a significant negative impact on local viewers as choice and robust local programming would inevitably be diminished.

⁴ www.tvb.org/rcentral/adrevenuetrack/revenue/2009/ad_figures_1.asp